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# China Report

ECONOMIC AFFAIRS

No. 79



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# CHINA REPORT

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## ECONOMIC PLANNING

### PRICE DETERMINATION ACCORDING TO QUALITY DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 3, 20 Mar 80 pp 53-54, 52

[Article by Lo Jiel [5012 4634 5987], Department of Economics, Sichuan University: "A Tentative Discussion of Objective Grounds for Determining Price in Terms of Quality"]

[Text] Setting prices in terms of quality is an important principle which a socialist country must follow if it is to determine commodity prices rationally and stimulate continuous improvement of the quality of social products.

As regards the nature of objective bases for pricing in terms of quality, many comrades summarize them as being commodity value levels which are in direct proportion to the quality of products. The comrades who maintain this viewpoint believe that for different commodity varieties of different quality (such as silk stockings and cotton socks) or articles of the same variety (such as cotton socks of the same size) with different quality, their quality is identical with the socially necessary labor expended on their production, i.e. their value. On the principle that value is the basis of price, high-quality products have a high price because they involve fine work and the amount of social labor expended on them is high; and conversely, low-quality goods have a low price because they are crudely made and the amount of social labor expended on them is small. I believe that it is worth discussing an approach which sets out from the determination of value in terms of quality, derives the determination of price according to value, and ultimately substitutes determination of price according to quality as directly based on the magnitude of value of the product itself.

First, if these comrades are discussing products of different varieties with different quality, this can only be relevant to pricing in terms of value and not to pricing in terms of quality. Because products of different varieties are made from different materials by different manufacturing processes, the difference in quality is unquestionable related to the amount of socially necessary labor expended on each, and the price level should agree with their quality and value. In reality, it is a question of determining price in terms

of value, not quality, because if there is no direct explanation of the effect of quality in determining price, we cannot see the difference between determining price in terms of quality and determining it in terms of value. If the two are the same, why should we propose determination of price in terms of quality, thereby introducing difficulties of understanding? The actual circumstances of commodity production at home and abroad (such as the development of wristwatch varieties) indicate that the quality of products of different varieties is not always in direct relation to their value: one product may be more attractive than another but also cheaper. Accordingly, use of the approach of determining price in terms of value instead of that of determining it in terms of quality is unconvincing.

Second, the application of objective grounds for determining price in terms of quality to items of the same variety with the same specifications and different quality, resulting in unequal prices, is more worth discussing. Of course, commodities of the same variety with the same specifications can have quality differences based on finer workmanship. However, can we say that it is because these commodities with different quality involve the expenditure of different amounts of social labor that the prices are different? No, because we cannot directly equate the working time actually expended in fine or coarse work with the amount of socially necessary labor. As everyone knows, when Marx spoke of socially necessary working time, he meant: "The amount of working time required to create some type of utility value under normal production conditions in the existing society, and given the social average labor skill and laboring strength."<sup>1</sup> Accordingly, to consider all the different amounts of working time expended on products of the same variety with the same specifications as socially necessary working time would make us theoretically unable to determine the amount of socially necessary labor that determines a product's value, and in practice there would be no way of determining a uniform value for such products.

In order to clarify this difficulty, some comrades believe that in terms of society and not of the individual enterprise, the amounts of labor and embodied labor expended on products of the same variety and specifications with different quality can be considered as different amounts of socially necessary labor expended, and that this is why their prices are different. In this way it appears possible to unify pricing in terms of quality with the law of value. However, this merely leads to a new difficulty. As described above, there is no necessary connection between the quality of a product and the amount of labor expended in its production. The differences in product quality are determined primarily by an enterprise's technological level and management quality. Superior-quality products produced by well-managed enterprises with a high technological level do not cost more to produce than low-quality products produced by poorly-managed enterprises with a low technological level, and may actually cost less. At the same time, this is not strictly pricing in terms of quality, but rather pricing in

1. Marx, "Das Kapital," 1975 Renmin Publishers edition, Vol. 1, p. 52.



terms of of value. Finally, cases in which it is even more impossible to determine product value will inevitably appear in practice, because according to these comrades' views, from the social point of view products of the same variety and with the same specifications but with different quality must be graded into several levels, after which the socially necessary labor or quantity of value is determined grade by grade. However, if the working time actually expended by individual enterprises on products of the same quality grade is not uniform, how can we determine the amount of socially necessary labor embodied in products of that grade? It is obviously unconvincing to insist that determining price in terms of quality is the same as determining it in terms of value.

Third, making value a direct objective basis for pricing in terms of quality is unrealistic. For example, the quality of some commodities is quite strongly related to natural conditions (for example the quality of agricultural products such as grains is affected by climate and soil conditions). Accordingly, it is very hard to state that pricing commodities in terms of their quality is pricing in terms of their value. Moreover, when many products (such as pork, fruits, vegetables and the like) are priced according to quality grade, the question of whether fine or coarse labor was used on them is even less relevant, so that we naturally cannot say that they can be priced in terms of quality via their value. If a jin of fresh lard is more expensive than a jin of pork, we cannot say that this is because the value of the former is greater than that of the latter. To clarify this difficulty, some comrades simply claim that pricing of these kinds of goods by quality grade is a pure price question unrelated to value, and that it is determined by the utility value of the different grades and by supply and demand circumstances. This view actually admits that making the magnitude of value an objective basis for "pricing in terms of quality" is in contradiction with the actual situation.

Fourth, if we understand pricing in terms of quality as simply the setting of prices in terms of value, it is very difficult to reach the goal of stimulating product quality improvement via pricing in terms of quality, because the inevitable result is that although the prices of superior products are high, expenditures on them are also high, and although the prices of low-quality products are low, expenditures on them are also low, so that economically there is no reward or penalty effect. In particular, this would objectively support incorrect economic policies which pursue only output value with no concern for expense and produce large quantities of products whose quality is good but which do not fill needs, while it would be a hidden penalty on enterprises which strive to produce inexpensive, attractive products.

But how should we analyze the objective grounds for pricing in terms of quality? I believe that analysis of the effect of product quality on market price formation should be based on an affirmation that value is the basis of price.

Although the quality level of a product does not affect the determination of its value, it has an adjusting effect on the market price of the commodity during value fluctuations, and it is precisely this effect which brings about the feedback effect on product quality of the pricing by quality thus effected. This is because when prices are the same, product quality is decisive in determining on which products consumers are willing to spend their money. Under overall supply-demand equilibrium, because purchasers are numerous and quantities limited, the supply of superior products may not meet demand, so that the sellers may sell them at a price higher than the value and obtain excess profit. Conversely, because purchasers for them are few and their interest slight, the supply of inferior goods will be larger than the demand, and the only recourse will be to put them on sale at a price below the value or not sell them at all. When there is not an overall supply-demand equilibrium, superior-quality goods can also be put on sale at a price higher than that for low-quality goods. Thus, quality-based price differences for products of the same type but different quality can in turn encourage the producers of high-quality goods to give increased attention to assuring quality, while the producers of low-quality goods will be subject to economic penalties and accordingly will give attention to improving product quality so as to escape from an unprofitable situation.

Thus given the existence of commodity production and places of exchange, the adjustment effect of commodity quality on market price and the adjustment effect on product quality produced by the different market prices resulting from different product qualities will exist objectively. And it is the interaction of these two effects which has caused the steady improvement of social products. In different social systems, however, the forms and results of these effects differ.

Some comrades believe that capitalists are concerned only with value and excess value and not with product quality. I believe that this conclusion is at variance with reality. Actually, the capitalists are concerned with quality, but it is not in terms of the interests of the consumer and of society, but rather in terms of assuring themselves maximum profits, that they improve their product quality. According to statistics, in industrial production by such capitalist countries as England and the United States, the amount expended on improving product quality amounts to only about 10 percent of the total sales price. The capitalists try to get an advantageous position in market competition through high product quality, and strive to make the rate at which commodity prices increase surpass the rate at which expenditures on improvement of product quality increase, so as to obtain large excess profits. From this it can be seen that not only does the adjustment effect of product quality on the market price of commodities exist objectively in capitalist society, but it has in fact stimulated improvement of the quality of social products. However, it is in the narrow domain of the capitalists' quest for maximum profit that it operates, through intense competition, and its results benefit only the capitalists.



In the socialist system the aim of production is not profits but people and their needs, i.e. guaranteeing maximum satisfaction of the constantly-growing material and cultural needs of all of society. "Quality first" is the principle which every enterprise must follow in production. Accordingly the adjustment effect of quality on price and the feedback effect of price on product quality have achieved a scope which would be impossible under capitalist conditions, and are for the first time being used to serve all of society.

Under the conditions of planned pricing implemented in socialist countries, the adjustment effect of product quality on price occurs primarily through the consumers' competition to buy good-quality products, so that ultimately such forms as cut-price selling under the name of "disposal" appear. Sometimes the effect is expressed as a purchaser preference for paying higher prices for high-quality goods and an unwillingness to buy poor-quality goods at low prices. This enables the state to find out in good time which products are of high quality and which of low quality, so that reliable grounds are obtained for implementing the principle of pricing in terms of quality. In order to stimulate enterprises to produce more and better products which will be welcomed by the masses, when it calculates the commodity prices for items of the same quality and with the same specifications but with different quality the state should rely on the principle of "a good price for good quality and a poor price for poor quality" and set the prices of high-quality goods higher than their value as an encouragement, while the prices of low-quality goods should be set lower than their value as a penalty and a stimulus, so that all enterprises are stimulated to conscious improvement of production technology and management and continual improvement of product quality.

If a commodity such as pork is graded lot by lot in terms of quality and the price set in terms of the quality of each lot, this is also use of the adjustment effect of quality on market price as an objective basis. It is not at all, as some comrades state, purely a price question involving utility value and supply and demand conditions. This is because an average magnitude of value is first determined for these different grades by dividing the total value by the total weight of the commodity, after which lots of different quality are assigned different prices: the good-quality lots are given a high price and the poor-quality lots a low price. Some prices are higher than the average unit price and others lower, but overall the total price and total value are identical. If the price of these products is not based on value but rather is determined totally on the basis of utility value and supply and demand circumstances, this not only could lead theoretically to the erroneous effective price theory and supply and demand value theory but also could bring about in practice a chaotic situation in which prices could be varied at will, which would lead to unfavorable consequences for the nation and the people.

Implementing the principle of pricing in terms of quality in practice is a complex question which involves many factors; and determinations cannot be made on the basis of a few phrases or one article. For example, the quality of items in the same category not only differs in terms of the fineness of

the work and the effectiveness of the product, but also in terms of attractiveness and color, and the questions of which factors should be used as the primary ones for pricing in terms of quality, how to handle the fact that in practice some high-quality products have individual values higher than the social value and others have individual values lower than the social value, how to set the price differences of high-quality products so that they neither limit the masses' consumption level nor affect product sales, and how to support the development of products of local industries whose technical level is rather low while implementing pricing according to quality, all require serious research. This means that when practicing pricing according to quality in specific cases, we cannot rely on one set model, much less on subjective views; the only correct path is profound investigation and continual summarization of experience. The inspection standards consider whether the product quality differences which we have formulated can achieve in practice their aim of stimulating continuous product improvement and satisfying the needs of the broad masses of the people. Here we should also point out in particular that the consumer is the one who most welcomes pricing according to quality, and he also has the greatest right to be heard regarding the quality of products and whether their prices correctly embody the principle of pricing according to quality. Accordingly, in implementing pricing according to quality, it is highly necessary that the relevant departments adopt various effective forms for obtaining extensive consumer opinion.

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## ECONOMIC PLANNING

### ECONOMIC COMMITTEE LEADER COMMENTS ON MARKET READJUSTMENT

Guangzhou NANFANG RIBAO in Chinese 6 Jun 80 p 1

[Interview with a member of the Guangdong Economic Committee by NANFANG RIBAO reporter]

[Text] How to further carry out market readjustment and stimulate industrial production is a question of concern on both the industrial and communication fronts and to the vast masses of staff and workers. Recently our reporter interviewed a leading cadre from the Provincial Economic Commission. They analyzed several of the problems in market readjustment which need to be studied and resolved.

[Question] What has been the effect of the implementation of market readjustment upon the development of industrial production in this province?

[Answer] The achievements of the last year or so have proved that in carrying out planned adjustment together with market readjustment, (putting the main focus on the former while attaching full importance to the latter) has had a great effect upon enlivening enterprises, advancement of the readjustment regulation of industry, and the development of the entire national economy. For instance, last year this province's output value realized through market readjustment accounted for approximately 30 percent of the gross value of industrial product. In addition, this hastened the occurrence of a series of far-reaching changes, the most important of which was the doing away with the irregular practice of production for its own sake. This has enabled production to move in the direction of adopting itself to the needs of society. However, several new problems have emerged in market readjustment which require serious study in order to resolve them.

[Question] At present, what are problems which need to be studied and resolved?

[Answer] The most prominent problem has been the rush by many enterprises to produce certain highly salable products and the duplication of production points. Owing to the implementation of market readjustment many localities and enterprises are competing with each other to produce those things which are presently in great demand, but for which the supply cannot be met. This has resulted in many products quickly changing from being highly salable to being unsalable and overstocked. Presently it is understood that the following products have been over-produced in this province: electric fans, electric irons, hair dryers, electric watches, electric refrigerators, air conditioners, washing machines, steel framed windows, bicycle tires, etc. Taking electric fans as an example, at present there are already over 100 factories in this province producing them. Not only is this being done by electrical machinery factories and light industrial enterprises, but civil administrative, war industry, neighborhood, commune and production team enterprises are also involved. In one locality there are over 30 factories producing table fans and ceiling fans. We can be sure that in a short time the production of these products will be in excess, requiring a new adjustment. Regarding this problem some comrades believe that we should not interfere, but let it develop naturally, causing those products which are of inferior quality or enterprises which are not managed and administered well to be eliminated through competition. There are some other comrades, on the other hand, who are afraid of having to make new adjustments again in the future, and who advocate against carrying out market readjustment. We feel that both of these viewpoints are wrong. We cannot let things just drift and allow products to be produced blindly, or have duplication of production points. Nor can we turn back and strangle in the cradle the reforms of the economic management system which have just been begun. We must persevere in carrying out market readjustment. We must insure planned guidance concerning problems which will appear after the implementation of market readjustment. The responsibility of all departments concerned with this work is to strengthen investigation and research of market readjustment throughout the entire province and country, make market forecasts, periodically issue circulars on the situation of production needs and provide guidance to production and marketing activities as a means of preventing uncontrolled production and duplication of production points.

[Question] Concerning implementation of market readjustment, must we still encourage technical cooperation?

[Answer] You must take a dialectical viewpoint concerning this question. Technical blockades, the corrupt practice by which capitalist relations of production hinder productive forces, is something we certainly cannot indulge in. However, those methods of carrying out technological exchange without compensation used in the past were not useful in encouraging people to bring forth new ideas, and they really need to undergo reform. What kind of reform? Our thinking is to carry out a transfer of technology which will give rewards. If a new product, technique or technical information developed by an enterprise is transferred to another factory, then

a definite economic remuneration must be made via bilateral negotiations, signing of contracts, and voluntary concluding of transactions. Of course, if we really want to put this policy into practice we will need to study further the formulation of more concrete methods. However, because we are a socialist country we must use economic means to manage the economy. While putting into practice principles of mutual economic benefit between enterprises we must at the same time also encourage development of the communist style.

[Question] At present, what is the best way to strengthen cooperation between localities and departments?

[Answer] After implementing market readjustment some localities and departments, in order to allow their enterprises to "get their fill," limit their ordering of goods from outside areas and departments and also do not allow outside enterprises to sell their goods in these local areas. This type of "protective" policy is actually a policy of protecting backwardness. Moreover, it is harmful to the development of specialized production, the selection and placing of orders for necessary products throughout the whole province, the regulation of the entire industry and also to further development of those "protected" enterprises. Because these enterprises have lost the pressure brought about through competition, they cannot have efficient administration. At the same time, if everyone starts this type of "protectionism" and no locality or department ever asks for help, then we cannot even begin to talk about a unified plan and overall balance for the entire province and nation, and even the backward "big and complete" and "small but complete" tendency will reappear. Hence, the correct way should be not to draw circles around ourselves, but to break the barrier between different areas and trades, and allow enterprises from localities and departments in this area to cross over to other localities and departments to select and place orders for badly needed products. Outside enterprises should also be permitted to enter local areas to sell their products. Under the conditions of unchanging subordinate relationships and systems of ownership we can carry out joint enterprises, joint operations, compensatory trade, diffusion of products, processing and assembly, etc., in different localities and trades, and between different systems of ownership, bringing into full play each ones superior qualities and special characteristics in stimulating the economy.

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## ECONOMIC PLANNING

### QINGYUAN COUNTY LEADS THE WAY IN GUANGDONG

Guangzhou NANFANG RIBAO in Chinese 18 Jun 80 p 1

[Staff reporter comments on "Excellent Results Achieved Through Implementation of the Qingyuan Experience"]

[Text] Editor's note: During the past year, each place that took part in the popularization of the Qingyuan experience generally achieved very good results. Of course, the birth and development of any new thing cannot be perfect. In addition, after old contradictions are solved it is always possible that new ones will appear. This is an objective law of the development of things. Therefore, in the Qingyuan experience there is also room for improvement and enhancement. However, if we ignore the main current and overreact to small problems, then no type of reform is possible. Precisely because of this, cadres of the Provincial CCP Committee have fully approved the Qingyuan experience, and, in addition, have asked all concerned departments, while promoting this experience, to help in further enhancing it, thereby enabling it to develop and come closer to perfection day by day. It is a pity that at present there are still those who are suspicious of this experience. This should not be. In order to speed up the economic development of our province we must vigorously reform the old system. If, at this late hour, we still do not dare to reform or take bold steps, but continue on like this, we will never be able to revitalize the economy.

This reporter has obtained the following information from the all-Province Industry and Communication Work Conference on Increasing Production, Practicing Economy, Increasing Income and Decreasing Expenditures, which is just being held in Guangzhou: There are close to 1,000



industries and enterprises in this province which have adopted the Qingyuan experience. County managed state-owned industries and enterprises which have implemented the profit retention system have achieved good results in increasing their production and income.

The adoption of the Qingyuan experience by county managed state-owned industries and enterprises in this province gradually got underway last year in August following approval by leading comrades of the provincial CCP committee at the Provincial Industry and Communications Work Conference. By March of this year it had been extended to all the enterprises in 46 counties (municipalities) throughout the province. In 50 counties (municipalities) it has been implemented at least a portion of the enterprises. Of the 2,010 local state-operated industries and enterprises in the province, there are close to 1,000 which are employing the Qingyuan experience.

Reports provided by each place make clear that the results of adopting the Qingyuan experience have been good. According to statistics from the Zhanjiang Prefecture Finance Bureau: the 148 local state-operated industries and enterprises in the 11 counties of the prefecture, after adopting the Qingyuan experience last year in November and December showed an increase in the average monthly output value of 49.7 percent compared to the average monthly output value for the preceding 10 months. This resulted in a 2.5-fold increase in profit. Among those counties, 17 local state-operated industries and enterprises in Gaozhou had a 34.9-percent increase in average monthly output value from September until December, in comparison to the prior period, realizing a 4.13-fold increase in profit. Last year from September until December, 73 industries and enterprises in Shaoguan Prefecture adopted the Qingyuan experience and had an increase in average monthly output value of 13 percent, as compared to before, realizing an average monthly profit of over 480,000 yuan. Prior to this, from January until August, there was an average monthly deficit of over 80,000 yuan. From January to April of this year the number of enterprises in this prefecture which adopting the Qingyuan experience climbed to 125. The industrial gross output value increased 10.7 percent compared to the same period during the previous year. Last year from January to April there was a total deficit of over 3 million yuan. However, this year's deficit was only 920,000 yuan, a reduction of 70 percent. The 54 local state-operated industries and enterprises in Yunfu, Sihui, Gaoyao, Fengkai and other counties of Zhaoqing Prefecture all achieved very good results after adopting the Qingyuan experience.

It is reported that the government's share of the increase in earnings made by these enterprises, generally speaking, was greater than that of the enterprises. Qingyuan County's 17 local state-operated industries and enterprises realized a profit of 4.25 million yuan. Aside from repayment of over 340,000 in loans for minor improvements and technical innovations, profits available for allotments came to 3,907,000 yuan, of which the

government received 2.41 million yuan (including 715,000 yuan turned over to the State Treasury, 1 million yuan in subsidies for purchase of nitrogenous fertilizer and 615,000 yuan turned over to the county), accounting for a total of 61.7 percent; enterprises received 781,000 yuan, accounting for 20 percent, and staff and workers received 81,000 yuan in bonuses from profit retention, accounting for 18.2 percent. From January until April of this year, 18 local state-operated industries and enterprises in Gaozhou County earned 992,000 yuan in profits of which the government received 869,000 yuan (including what was turned over to the State Treasury and the county), accounting for 87.6 percent; enterprises received over 47,000 yuan, accounting for 4.2 percent and staff and workers received over 81,000 yuan in bonuses from excess profits, accounting for 8.1 percent.

The results achieved in each area show that despite the fact that there are still some aspects of the Qingyuan experience which have not been perfected, and despite the fact that we still need to go a step further in summing up this experience, it has, however, through the linking of production management with the economic benefits of staff and workers, enabled these enterprises to become economic units possessing an inherent driving force. It has also enabled staff and workers to increase their initiative and enthusiasm and revive production, management and administration. Consequently, if there are still those this year who question this experience and make rigid restrictions saying this or that cannot be done, then these comrades should emancipate their thinking and broaden their approach a bit.

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## ECONOMIC PLANNING

### SUGGESTIONS FOR FUNDING OF ENTERPRISE SCIENTIFIC WORK

Beijing GUANGMING RIBAO in Chinese 1 Aug 80 p 4

[Article by Yang Jun [2799 3182]: "Smoothing the Financial Way for Enterprises' Scientific Work"]

[Text] Smoothing the way for scientific work should be closely united with the needs of national economic development, and this is one of the policies now directing our scientific work. Therefore, in strengthening the enterprises' scientific work, it is mandatory and also possible to open wide the financial ways for the enterprises' science expenses.

1. Smoothing the Way for Scientific Work is a Necessary Condition for Enterprise Existence and Development.

The supersession of the old by the new is a general, eternal and inviolable law of the universe. This is true of mankind and likewise is true for enterprises. They must continually carry out knowledge renewal, equipment renewal and technology renewal. These are three important elements of the enterprises' scientific and technological work, as without it the enterprises will stagnate, lose their ability to compete, and may even be forced to cease production. This is common knowledge throughout all the capitalist nations, and China will also be the same following the implementation of policies to protect competition.

"Knowledge renewal" means that scientific and technological personnel now at work must continually and constantly update their education and training to ensure that they are continually able to acquire new basic theoretical knowledge and special technological knowledge. According to calculations by foreign scholars, the present annual growth rate of basic knowledge in engineering technology is 5 percent, the present annual growth rate of professional knowledge is 20 percent, so if scientific and technological personnel are not always adding on new knowledge, then in seven or eight years they will be

outdated. In other countries many monopolies work to maintain their competitive capabilities by investing huge amounts of capital to improve the technological level of the enterprise's scientific personnel. In some countries, 80 percent of the large companies have advanced study requirements for scientific personnel.

"Equipment renewal" means the continual use of new equipment to replace, substitute for or transform the outdated, old equipment and enable the enterprise to constantly have advanced experimental and production techniques. In advanced industrial nations, equipment renewal is very rapid and the period of depreciation is very short, about 5-10 years. China has a low rate of depreciation and only about 50 percent of depreciation costs are recoverable, moreover, there are many limitations on its use, so that some enterprise equipment cannot be renewed or even transformed and just ages day by day. For example, in a machinery manufacturing plant which went into production in 1956, the machine tools are now not as precise as they were 20 years ago, so how can they compete with enterprises in foreign countries? A foreigner visiting this plant had "two big surprises." The first was that China had such high plant standards in 1956, and the second was that after 24 years no changes had yet taken place!

"Technology renewal" is energetic research in applying new theories, new industrial arts, new technology and new materials; it is continual product improvement and continual development of new products. Enterprises in capitalist nations use the equivalent of 3-5 percent of their output value, or about 15-20 percent of their profits, to carry out scientific work. Those engaged in scientific work are 8-10 percent of the total number of staff and workers, moreover, only the very best technical personnel are chosen to perform scientific research work. They look upon competition in the marketplace as competition in technology and science and look upon the development of scientific work as the focus of professional activities within the enterprise.

If we are to implement the four modernizations, then we must make the most of our superiorities, place a portion of our products and technology on the international market, and participate in international competition in order to obtain foreign exchange to import technology, import equipment and import some materials. After the development of modernized construction the demands on our people will be raised day by day. In this way those systems which "protect backwardness" will be replaced by systems which "protect competition." Because of this, only those enterprises which firmly grasp technological advances will be able to continually develop, those which are technologically backward will certainly fail.



## 2. Small Investments in Enterprise Scientific Work Reap Great Benefits

All industrially developed nations consider scientific investment to be investment in maximum profits. In the United States each U.S. dollar invested in scientific work brings a return of 23 U.S. dollars. In England an investment of 8 million pounds sterling can create 100 million pounds sterling. The Huangpu [3883 3808] Petroleum Company of the United States employs over 10,000 people, 1,450 of whom are scientists, about 15 percent of the total staff and workers. They have a huge annual scientific output, 800-1,000 patents, and 50 percent of the company's profits come from patent fees or from construction contract fees. In 1979, Xiangfan municipality in Hubei province popularized some imported new technology and for each yuan invested there was a return of 30-90 yuan. Enterprise scientific investment truly gives a huge return for a small investment.

How effective scientific work is depends to a great extent on whether or not the direction and goals of the research topics are correct. Of course, the standards for research topics change according to time, place and conditions. In the near future, the scientific work of our plants and mines should be focused on the technological innovations of our present enterprises. The main goals should be: 1. reasonable use of resources; 2. energy conservation; 3. improved product quality; 4. product diversification; 5. pollution control and prevention, and so on. Experience has proven that this will obtain the greatest economic benefits and that science and technology are powerful economic forces.

For example: China's energy resources are inadequate and, moreover, our energy resource utilization is very low, estimated at an average of only 28 percent nationally, while in Japan it is 57 percent, in the United States 51 percent, and in Western Europe 40 percent. In 1987, the nation had nearly 190,000 industrial furnaces, which burn over 2 hundred million dun of coal annually, accounting for over 35 percent of the nation's entire coal consumption. If the burner efficiency in our industrial furnaces is improved 20 percent, this item alone will save 50 million dun of coal in one year, which demonstrates the enormous potential of energy conservation. The means for this rests primarily in science and technology. The present methods of supplying electricity by district and by time of day limit the livelihood use of electricity, are negative and not only cannot increase the supply of electricity but in most circumstances even create great waste.

### 3. Smooth the Financial Way for Enterprise Science Expenses

In capitalist nations the cost of science in enterprises is generally deducted in a percentage basis from sales figures and from profits or is shared in a fixed ratio in product costs. Some comrades feel that if we use these methods there will be definite influences on financial budgeting and income. Funding the state's increased science expenses can only be gradually managed following economic developments. Where, then, will the enterprises' science expenses come from? A sincere analysis shows that, actually, within the enterprises themselves there exists a variety of funds that can be used. We only need to overturn a few unreasonable rules and regulations, enlarge the enterprises' rights and enliven our economic work; then we will be able to extract certain funds from within the enterprises to invest in scientific work.

1. Equipment Replacement Funds. In China the fixed asset depreciation rate for enterprises is rather low, from 3 percent to not more than 6-7 percent, and moreover only about half is retained by the enterprises, while the other half is given to the central department committees and provinces, municipalities and autonomous districts for adjustments. This is not favorable for enterprise renovation and transformation. To avoid raising commodity prices there is no need at present to immediately raise the rate of depreciation but only make a suitable change in the proportion retained by the enterprises. Depending on the enterprise and differing conditions, this can be raised to 70-100 percent, and 10-15 percent of that can be used as enterprise science expenses to be received by the enterprises. Both the state and the enterprises will benefit. The present method of taking about half of the enterprises' replacement and transformation funds to give to the central department committees, the provinces, municipalities and autonomous districts for so-called unified adjustments, is actually no more than taking from profits to make up for losses, taking from progress to make up for backwardness, and taking from good economic results to make up for poor economic results. In the long run, this is not beneficial to either the state or the enterprises.

2. Enterprise Profits. The "Trial Method of Profit Retention for State-operated Plants and Mines," ought to be generally implemented. Enterprise science expenses usually average 3 percent of profits, some low profit enterprises can raise this to 5-6 percent, while some high-profit enterprises can lower this to 2.5-3 percent.

3. A Share of the Superprofits. For superprofits there should be a progressive share system, the greater the overfulfillment of the quota the greater the share; 20-25 percent can be used for science expenses.



4. Distributed among Costs. Under the condition of guaranteed completion and costs according to plan and guaranteed remittance to higher authorities, permit the spread of science expenses for advancing, improving and popularizing present products in that year's costs or in the costs spread over several years (a maximum of 3 years). But this system must be limited to less than 1 percent of total costs.

5. Enterprises income from sales of technology, patents and provision of technological services should all be used on enterprise science expenses.

6. State Subsidy of Major Projects. The state and the enterprises ought to sign contracts for non-interest loans to be completely repaid within a fixed time period.

The above methods do not require any increase in the state's financial budget, but only open channels in the state budget for the enterprises, allowing the enterprises themselves to control and manage the distribution of already existing funds and permitting them to make overall plans for using all available funds. The enterprises' science expenses can be used on construction of experimental projects, experimental new products, improvement of old products, popularization of new applications of technology, application of new experimental methods, advanced training for professional and technological personnel, science and technology bonuses and for joint project expenses with non-enterprise research institutes, and so on. In this way the enterprises will have a sizable amount of funds to carry out scientific work. For example, the Beijing Xiangyang [0686 7122] Chemical Engineering Plant has state assets of about 200 million yuan, a yearly production value of about 2.5 hundred million yuan, and profits of about 60 million yuan. According to the above plan this plant could possibly get 3-5 million yuan annually for scientific work. A large-scale enterprise such as the Yanshan [3601 1472] Petrochemical Complex could possibly receive 30 million yuan annually for science work, equal to the total amount the State Scientific and Technological Commission distributed in 1980 to the chemical engineering department for expenses in the three areas of scientific renewal. It can be seen that if we simply open these channels there is huge potential for the enterprises' science expenses.

4. Funding Enterprise Expenses with Enterprise Funds Provides Benefits with no Harm.

The methods described above for solving enterprises' science expense funding actually starts with the enterprises, is used in the enterprises, does not increase payments from the state budget, and does not decrease the income to the state budget. Moreover, it also will supplement future insufficiencies in budgeting allocations for science expenses. In addition, there are three other advantages.

1. Benefit to the unification of science and production. Scientific work must be concerned with production needs and production should make requests of science as investment in science definitely produces economic results.

2. Benefits to technological progress. Since last year, in our economic livelihood we have started implementation of unified adjustments to the plan and marketplace adjustments, and have started experimental enlargements of enterprise rights and profit retention. Unavoidably, competition between the enterprises has already appeared. Competition depends upon science and technology and depends on scientific management. The enterprises have the right conditions for carrying out scientific work, each enterprise has varying degrees of potential for strengthening scientific work and so the conditions under which the enterprises will seek out technology will certainly be forthcoming.

3. Financial departments' revenues will increase but payments will not. Science expenses will be derived from the enterprises and the greater portion of the profits from science investment will actually be turned over to the state. Although scientific work cannot totally avoid failure, nonetheless if we wish to implement modernization, we must be farsighted, make strategic considerations and be willing to put in the capital. Moreover, a look at experiences both here and abroad shows that in the enterprises' scientific work, if the policies are correct and the research topics correctly chosen the benefits always are great while the losses are small, and this definitely will push our national economy toward development. What reasons could we have for not supporting such good things? What reasons can there be for not smoothing the way for enterprises' financial work?

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## GENERAL ECONOMIC INFORMATION

### BEIJING COLLECTIVELY-OWNED INDUSTRIES SURVEYED

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[Article by Lou Qibiao [2869 0796 2871], Li Yiqing [2621 6146 7230] and Pan Taill [3382 3141 7787], Marxism-Leninism Teaching and Research Section, Qinghua University: "A Preliminary Survey of Collectively-Owned Industry in Beijing City"]

[Text] Recently we carried out several surveys of collectively-owned industries in Beijing City and made some preliminary investigations of their origin, role and problems.

#### 1. Origin and Development

The industries under collective ownership in Beijing were formed during the reform of the handicraft industry. In their 30 years of development they have passed through four stages.

The first stage was cooperative industry.

At Liberation, the handicraft industry in Beijing included 36 natural trades, and three large groups: subsidiary manufacture [fen zhizao 0433 0455 6644], arts and crafts, and repair. In 1949 the city had 18 handicraft cooperatives or cooperative groups, accounting for 0.1 percent of the total handicraft industry output value for the city [as published], a total of 700 workers, amounting to 1.4 percent of the total number of handicraft workers in the city, and a total industrial output value of 280,000 yuan, or 1.1 percent of the city's total handicraft industry output.

In 1953, the party's Central Committee proposed the general line for the transitional period and implemented the "one transformation and three reforms," and the handicraft industry entered the stage of overall expansion. By the beginning of 1956, when the socialist reform was in full swing, 97.5 percent of the workers in the industry were in handicraft cooperatives, and their output was 97 percent of the total handicraft industry output for the city.

In the producers' cooperatives which arose through the socialist transformation of the handicraft industry, the members pooled their own means of production in the collective and contributed one month's wage as a share. The producers' cooperatives carried out independent accounting and took all responsibility for profits and losses themselves. The means of production were converted to cooperative ownership, which was collective ownership by the laboring masses.

However, as Comrade Ye Jianying has pointed out, "In 1958 the guidance of economic work deviated from objective laws and departed from profound surveys and research and the principle of subjecting everything to experiment, and committed the errors of "blind issuance of orders," "boastfulness," and the "public property" attitude."<sup>1</sup> At that time, some of the handicraft cooperatives were upgraded to ownership by the whole people, with the special form of "joint state (state-run enterprise) and cooperative (handicraft producers' cooperative) management," while most of them were provisionally made cooperative factories.

After establishment of the cooperative factories, the shares were returned to the members and the year-end bonus was abolished. The collective enterprises were managed on a unified basis by their cognizant departments, and were provisionally changed from small collective enterprises to large collective enterprises and from handicraft cooperatives to local state-run industries. This was so-called "collectivism in form, ownership by the whole people in reality."

In the early 1960's, the party Central Committee resolutely adopted the policy of industrial readjustment and drew up the 35-article "Regulations Regarding Certain Policy Questions of the Urban and Rural Handicraft Industry." This clearly pointed out that "collective ownership is primary in this country's handicraft industry because it is most able to respond to the level of development of the productive forces and the degree of awareness of the handicraft industry workers"; it also specified that "in all former handicraft cooperatives which have been turned into state-run industries and where this is not suitable for mobilizing the handicraft workers' activism, methods for gradual reconversion may be adopted." At the same time, it further stressed that they must bear profit and loss by themselves and opposed the method of "eating from the big rice bowl," which ignores economic accounting. Unfortunately, these correct policies were never seriously implemented. When the Great Cultural Revolution began, a high tide of enthusiasm for ownership by the whole people was whipped up on several occasions, particularly in the early 1970's, when a third of the collective enterprises were turned into state-run enterprises; in some cases an entire trade was converted. For example, the General Plastics Factory converted its collective enterprises, which then amounted to 30 percent of its total holdings, to state-run enterprises.

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1. Ye Jianying, "Speech at the Meeting Commemorating the Thirtieth Anniversary of the Founding of the Chinese People's Republic," Renmin Publishers, 1979, p 10.



The second stage was the 1958-style plants.

In 1958, under the impetus of the party's general line of going all out, striving against the current, and building socialism with more output, faster, and more economically, the people of the entire country manifested a high level of activism and creativity and energetically strove for independence and self-reliance in developing new paths of socialist construction. The broad masses of women at home left their kitchens and opened more than 700 neighborhood factories; the number of participants was about 50,000. These 1958-style plants later increased their degree of public ownership. They were first upgraded to ward large collective enterprises, then in 1978 were upgraded again to municipally-owned large collective enterprises.

The third stage was the May 7 plants.

Starting in 1970, on the basis of the May 7 directive, at the same time that the broad mass of cadres were participating in collective productive labor, staff and worker dependents and other idle labor began to run May 7-style neighborhood factories and developed the May 7 alignment of state-run enterprises and institutions. From 1970 to 1973, about 122,000 persons participated. These May 7 factories are currently small collective enterprises and are managed in uniform fashion by the neighborhood production group. Even though some keep all profits for the enterprise, by regulation they cannot use these profits without the approval of their cognizant departments.

The fourth stage was the production service cooperatives.

In April 1979, in order to make available extensive possibilities for employment and to make arrangements for unemployed urban youth, various educated-youth production service cooperatives were set up. Based entirely on manual work by educated youth, they repaired old and discarded objects for reuse, both producing much material wealth for society and solving the livelihood problem of unemployed youth. Of this city's 400,000 unemployed youth, 140,000 have already been placed in these cooperatives. Currently it is specified that after deduction of taxes, management expenses and sums for the collective accumulation fund and welfare fund, the remainder is distributed to the members of the cooperatives. Their wages may be higher than, equal to or lower than those in state-run enterprises. To a certain degree this restores the pre-1957 management system of the collective system.

It can be seen from the abovementioned stages of development that as output expanded, even though the cognizant departments upgraded them group by group and increased their degree of public ownership, the inefficient situation of many things not being done in society and large numbers of people having no work needed to be solved, so that some local factories were developed. In certain respects it was like cutting chives: after one crop is cut another grows. As long as the roots of the chives are there they maintain their vitality. For collective enterprises, the root is the fact that the level of development of the productive forces is still rather low and the state-run

enterprises are still unable to supply increasing amounts of the products of labor to satisfy society's continually growing material and cultural needs and also are unable to absorb a large labor force. Accordingly, whether the collective enterprises are supported or limited, they still develop continually.

## 2. Nature and Transformations

Why must the collective enterprises be upgraded group by group and undergo the two transformations from small collective to large collective and from large collective to state-run collective? This has an ideological origin. First, it is felt that "the collective enterprise is a vestige of capitalism"; second, it is felt that "the greater the degree of transition to public ownership the better." Actually these two ideas are connected with the nature of the collective ownership system. The former confuses the nature of the collective ownership system with that of capitalism, while the latter requests rapid improvement of the nature of the collective ownership system with an increase in the degree of public ownership.

The collective ownership system is by nature in the same class as the socialist system of ownership by the whole people, and both are socialist public ownership systems; they both have as their goal satisfying the continually increasing material and cultural needs of the nation and the people; they both manage production under a state plan; and the distribution of consumer goods to individuals is done on the principle of "from each according to his ability, to each according to his work." It can be seen that they have no features in common with the capitalist ownership system.

Of course the cooperative enterprises and the state-run enterprises are two forms of the socialist public ownership system, and there are major differences between them.

First, the means of production and products under the collective ownership system are not the property of the totality of the working people, but of part of the working people, and are possessed in common by the members of each cooperative.

Second, in the collective enterprise, production is not managed directly by the cognizant state departments, but is under the unified leadership of the state, and is managed in common by the collective's members. In addition, the state plan indicators are not handed down as mandatory assignments, and the enterprise has the right to draw up its production plan independently on the basis of national and municipal needs and its own conditions and economic interests.

Third, the collective enterprise has sole responsibility for its profits and losses. It makes payments to the state financial organs as taxes, and controls its own after-tax income. Economic ties between the state and the collective or between one collective and another must be via commercial exchange, are implemented on the basis of the principle of equal value, and may not be subject to leveling and indiscriminate transfer of resources.



But in reality since 1958, under the ideological leadership of the view that "the greater the degree of public ownership the better," and in the wake of the agricultural collectivization, some people have ignored the actual level of development of the productive forces and have requested that the degree of public ownership in the municipal collective ownership system be increased and that two transitions be carried out: from collective ownership to ownership by the whole people, with an alteration, both in form and in essence, of the character of the collective ownership system, and from small collectives to large collectives, changing the collective enterprise system to a system which is neither collective ownership nor ownership by the whole people. This separates the right of ownership of the means of production from the right of using them, and the local cognizant departments become the real owners of the means of production and the real directors of production. All production management, funds utilization, management of goods and materials, allocation of the labor force, distribution of income, and plant closings, cessations of production, mergers and production changes, must be decided by them. For small collectives, the neighborhoods bear profit and loss, which weakens enterprise independence, so that it departs somewhat from the path of the collective ownership system. The two transformations are in reality a negation of the nature of the collective ownership system.

We know that historically one social form passes into another, and one ownership system passes into another. Neither of these principles is dependent on subjective views; they are governed by the law that production relations must adapt to the development of the productive forces. Nor are there any exceptions for socialism. If we deviate from the level of development of the productive forces and simply request that the degree of public ownership be increased, we will not be able to manifest the superiority of socialism, but instead we may decrease the rate of development of production. Here are the real facts:

Rate of increase of gross output value and labor productivity of the city's collective enterprises (%)

	Recovery period	First FYP*	Second FYP	1963- 1965	Third FYP	Fourth FYP	1976- 1978
Average annual rate of increase of gross industrial output	228.4	99.9	16.7	8.5	10.8	16.7	12.8
Average annual rate of increase of labor productivity, all workers	44.0	16.3	11.4	2.6	10.8	6.4	3.2

\*FYP = five-year plan

It can be seen from the table that before 1957, during the period of the handicraft workers' cooperatives, although the level of public ownership was rather low, the average annual rate of increase of total industrial output far surpassed any year from 1958 on with a higher degree of public ownership. If we eliminate the factor of large increases in gross industrial output resulting from implementation of the socialist transformation of the handicraft industry and participation in producers' collectives by large numbers of handicraft workers, then between 1949 and 1957 the total handicraft industry output for the city increased at an average annual rate of 36.65 percent. It can be seen that the real nature of the question has not changed fundamentally. For the average annual rate of increase of labor productivity for all cooperative members, the pre-1957 figures were higher than for any period after 1958.

Why do the two periods show different rates of development? The reason is that different management models were used before and after 1958 for the collective ownership system. These are manifested in concentrated fashion in differences in the financial management system.

In 1957, the form and essence of the city and town collective ownership system were in agreement. At that time, the financial management system in handicraft cooperatives was "independent accounting, full responsibility for profit and loss," and the profit remaining after taxes was distributed on a 1:2:3 basis, i.e. 30 percent was paid to the higher-level cognizant department, 20 percent was used for the members' collective welfare, and 50 percent went for the cooperative's accumulation. The cooperative's income was closely connected with the quality of its management, and the members' compensation was closely connected with their contribution to the state and the cooperative, so that the rate of growth of output was high.

Starting in 1958, the collective enterprise followed the model of the state-run enterprise and adopted the centralized methods of the local cognizant departments. The enterprises lacked the necessary powers of financial management. Although superficially they carried on independent accounting, in actuality after-taxes profits were all paid to the higher levels. Taking the cooperative factories belonging to the Second Bureau of Light Industry as an example, distribution was generally on a 50-50 basis: 50 percent went to the Second Bureau of Light Industry and 50 percent was paid to the specialized corporation. The after-taxes profits of some collective enterprises were distributed on a 3-4-3 basis, i.e. 30 percent was paid to the city, 40 percent was kept by the Second Bureau of Light Industry and 40 percent was given to the specialized corporation. This method, in which the cognizant department bore all profits and losses, deprived the enterprises of all maneuverable financial resources for equipment replacement and technical transformation other than about 50 percent of the fixed assets depreciation fund which they retained. At the same time, the enterprises' and staff and workers' incomes had no connection with the enterprises' management results, so that it made no difference whether they did well or poorly, or showed a profit or loss. This deviated from the principle of material benefit, and

gravely harmed the enterprises' enthusiasm for making a success of economic management and the enterprises' and staff and workers' enthusiasm for making a success of production, so that the output growth rate dropped.

This fact makes us realize that before 1957, the main contradiction was that only by replacing the individual ownership system by a collective ownership system was it possible to stimulate development of the productive forces. In 1958, only a little more than a year after the high point of cooperativization of the handicraft industry, the main contradiction was that of consolidating the newly-formed producers' cooperatives and solving a number of problems that had developed in the process of large-scale development. For example, the repair services, which were suited to decentralized management, were unsuitably centralized and the number of network points was greatly decreased, which not only occasioned great inconvenience to the inhabitants, but also decreased work and income. Again, there was the question of how to preserve the city's handicraft industry brand-name products such as Wang Hazi Scissors. At the time, these problems did not attract serious attention from the relevant authorities, who instead were continually preoccupied with changing the nature of the collective ownership system and hoped to produce a uniform state enterprise system in a short time. This approach of making production relations exceed the level of development of the productive forces and not allowing them a period of relative stability could only cause the economy to become increasingly stagnant and decrease output growth rates.

### 3. Role and Effects

As municipal collectively-owned industry has developed, it has come to occupy an increasingly important place in the national economy.

Relative importance of collectively-owned industry in all industry citywide (%)

	1949	1957	1965	1978
Percentage of total industrial output for city	0.2	13.70	14.8	16.4
Percentage of citywide total number of workers	0.6	14.0	14.0	23.0

Why have the collective enterprises occupied an increasingly important place in municipal industry? The reasons are as follows.

First, the growth rate of their gross industrial output value has been faster.

Average annual rate of growth of gross industrial output value of the city's industrial enterprises (%)

	Enterprises under ownership of the whole people	Collectively-owned enterprises
Recovery period	75.9	228.4
1963-1965	21.2	41.1
1966-1978	12.3	13.6

It can be seen from the table that between 1949 and 1978 the average annual growth rate of collective enterprises' gross industrial output value exceeded that for state-run enterprises for all periods.

Second, their rate of increase of labor productivity was faster.

Average annual increase in labor productivity of all personnel for this city's industrial enterprises (%)

	Enterprises under ownership of the whole people	Enterprises under collective ownership
Recovery period	41.2	44.0
1963-1965	8.4	11.1
1966-1978	6.5	7.3

It can be seen from the table that between 1949 and 1978 the average annual rate of growth of the collective enterprises' labor productivity for all personnel surpassed that for the state-run enterprises in all periods.

Finally, profit realized per hundred yuan of fixed assets was higher.

Profit per yuan of fixed assets for this city's industrial enterprises

	1975	1976	1977	1978
Enterprises under ownership of the whole people	28.7	24.5	25.1	26.7
collectively-owned enterprises	65.5	63.0	58.1	53.4

Why were the collectively-owned enterprises able to realize these achievements in comparison with the state-run enterprises? There are many reasons. One of the most important is that the interference and sabotage by Lin Biao and the "gang of four" had a greater effect on state-run enterprises than on collective enterprises. The advantages of the relatively high level of public ownership in state-run enterprises were not fully brought into play.

The collective enterprises have important effects in the national economy:

A. The masses' food, clothing, shelter and transportation are almost completely inseparable from products of collective enterprises. On the basis of incomplete statistics, with the exception of clothing which was slightly lower, all other output levels for collective enterprises in 1978, such as those for aluminum cookware, kitchen appliances, commercial locks, washtubs, window screening, leather footwear, cloth footwear and the like, accounted for more than 80 percent of the total output for the city.

B. They have accumulated large amounts of funds for socialist construction.

Every year the collective enterprises accumulate funds for socialist construction in the form of profits paid to higher levels and taxes. In 1978, the profit payments and taxes paid by the city's collective enterprises were equivalent to 29 percent of the city's capital construction investment for the year. If this were all used to build factories, it would have been possible to build 241 Dahua Skirt Factories with an annual output of more than 1.5 million pieces [or] 185 No 1 Leather Footwear Factories with an annual output of more than 140 million pairs of shoes each.

C. They serve foreign trade.

Such much-wanted export commodities produced in large amounts by the collective enterprises as carved ivory, jade items, carpets, embroidery and the like are all traditional handicraft products of this city with low production costs and high foreign exchange rates. In 1978 the export value of items produced by the Second Bureau of Light Industry was more than 300 million yuan. In fact, certain unnoticed small enterprises have made important contributions to export work. For example, the Damucang Handicrafts Plant, a neighborhood industry whose main employees are 200 old women, produces superior painted eggshells which sell well in countries such as the United States, France and Japan, and in 1978 it earned more than 200,000 US dollars in foreign exchange for the country. The Chaoyangmen Songzhu Woolens Factory's export woolens are better than those of the city's large factories making products of the same type, and they enjoy a very high reputation on the international market.

D. They help support industrial and agricultural production.

Currently the city's collective enterprises include such light and heavy industries as metallurgy, coal, petroleum, chemicals, mechanical engineering, construction, lumber, clothing, leather, plastics and shoes and hats. They



take on auxiliary assignments for large industry and produce many types of machinery, equipment, parts, tools, clothing and the like not produced by state enterprises or inconvenient for them to produce. For example, the Chunshu Rectifier Plant was the first plant in the nation's converter industry to be built and is one of the most important plants in the First Ministry of Machine Building, producing important electrical components. The microwave-absorbing materials produced by the Hongbo Plastic Plants are important components in industry and research. At the same time, collective enterprises also furnish iron shovels and other important commodities for agriculture.

3. They provide an extensive area for absorbing unemployed youth,

Because the collective enterprises' employment levels are not limited by the state plan quotas, they offer the localities immense employment opportunities, and even state-run enterprises have staff and workers under the collective ownership system. In 1978, staff and workers in collective enterprises totaled 620,000 persons, or 23 percent of the total number of staff and workers in the city's industry.

#### 4. Problems and Views

To develop actively the economy of the collective ownership system, we must start from unified views and further resolve policy problems.

A. We must change the model which uses administrative methods to manage the enterprises.

Currently this city's collective enterprises are largely managed in terms of administrative stratification, administrative districting or administrative convenience. This model means that those who have power have no direct economic responsibility and those with economic responsibility do not have the necessary power. Reforms must be made in the management system in order to adapt to the level of development of the productive forces. Naturally these must be based on strict adherence to the four principles, and their aim is to speed the progress of the four modernizations. In this way we will make the local administrative departments extricate themselves from tedious production tasks and give their attention to the study of economic policy. By means of economic legislation, using such economic measures as taxes, prices and credit, we will make the enterprises engage in production in accordance with the state plan and society's needs, and furnish economic information, carry out technical guidance and the like. Delegating the powers of directing production downward to the specialized corporations and collective enterprises will be helpful in wiping out bureaucratism and will greatly simplify the administrative machinery and cut down on the number of administrative personnel.

B. We should start with expanded powers for collective enterprises, and ultimately restore collective ownership of the means of production.



Starting in April 1979 the Second Bureau of Light Industry, in which collective enterprises are rather concentrated, began to carry on an experiment in retention of part of profits. This method specified that of the collective enterprises' after-tax profits, a small proportion could be kept under enterprise control. This was an advance in the reform of the financial management system of collective enterprises. The enterprises participating in the experiment have all achieved rather good results. But if we consider that the state-run enterprises are also carrying out the partial retention of profits system, the pace of reform of the collective enterprise system is clearly too slow.

We consider that the current profit retention ratio should be reversed: the cognizant departments should be able to take only a small proportion of the after-tax profits to develop and consolidate citywide collective industry and supplement inadequacies in local service item payments, while the lion's share of the profits should be kept by the enterprise as funds for expanded reproduction, awards and welfare. On this basis, in the future the collective enterprises will again be managing their own personnel, finance, goods, production, supply and sales, will be carrying on independent accounting and taking responsibility for profits and losses, and under the guidance of the state plan will be drawing up their own production plans. Only by restoring collective ownership of the means of production can we make the collective enterprises fully exercise their active effect as economic cells.

C. In the current stage, it is still necessary that the state select and supply raw and processed materials and distribute a certain quantity of machinery and equipment and technical personnel.

At present the question of raw materials is a major problem second only to system reform. Because most of the output of the collective industries is small items, the range of varieties is very large with great variability of design, and there are great shortages of raw materials, while the supplies of certain raw materials are actually decreasing. For example, from 1965 to 1978, the output of leather shoes increased 3.5 times, but the supply of cowhide has remained stable at about 270,000 hides, while in 1979 owing to certain factors it actually decreased, causing great difficulties for production.

The collective enterprises' equipment is backward, and currently many types of specialized equipment have to be produced by their own facilities, but state support is still necessary for general-purpose equipment.

Currently the technical level of personnel in the collective enterprises is generally rather low. On the basis of statistics from the plastics industry corporation, technical personnel in state-run industries account for 5 percent of the total number of personnel, while they account for only 0.47 percent of the personnel in collective industries. The difference is a factor of 12. The corporation has eight engineers, none of whom is working in a collective enterprise. This situation has been in existence for a long time, and it cannot but affect the technical reform of the collective enterprises; accordingly we hope that the state, in distributing labor, will pay attention to problems in this area.

D. Improve the economic and political treatment of workers and staff.

For many years, owing to interference and sabotage by the ultraleft line, the collective enterprises have been subjected to a certain amount of economic and political discrimination. The cadres' political treatment is inferior to that in state-run enterprises, and the staff and workers of many neighborhood factories have for a long time been unable to participate in trade union organizations. In economic treatment, on the basis of relevant policy decrees by the Central Committee before the Cultural Revolution, the wages of collective enterprise workers and staff must be at a level equivalent to those of the state-run enterprises. But later it was rigidly specified that they should be lower in large collective enterprises, and even lower for small collective enterprises than in large ones. Even labor insurance, benefits, awards and amounts of food were to be somewhat lower. Although in recent years treatment of large collective enterprises has largely closed the gap with state-run enterprises, irrational circumstances still persist. The irrational circumstances are even greater in the small collective enterprises. On the basis of statistics for 1978, the average annual wage of staff and workers in neighborhood factories was only 50 percent that for workers in the trade citywide. The Damucang Handicraft Factory produces large amounts of wealth for society every year, but the employees' wages are low, medical expenses cannot be reimbursed, and women 60 and over cannot retire.

In order to adapt to the current actual situation, we believe that before comprehensively reforming wages we should first formulate a reference base wage and awards standard. The various collective enterprises could set figures on the basis of their own income and with reference to the standard; they would be allowed to be higher than, equal to or lower than those for state-run enterprises.

E. Leveling and indiscriminate transfer of collective enterprise funds must not be permitted.

Engels long ago pointed out: "When we have grasped state power, we cannot violently dispossess the small peasants."<sup>2</sup> Since we cannot expropriate the small peasants and we even use the purchase method in dealing with the national bourgeoisie, why, when dealing with the handicraft industry workers, can we use state power for uncompensated leveling and transfers, which are actually expropriation?

The funds transferred out of the Second Bureau of Light Industry by the relevant departments total 30 percent of the current fixed assets of collectively-owned industry citywide. In 1978 when funds were being put in order, the Central Committee specified that collective enterprise funds which had been frozen should in principle be completely returned to the original units, but thus far only 8 percent has been returned, and in some cases funds are still being leveled and transferred in disguised form.

2. Engels, "The Question of the French Peasants," in "Selected Works of Marx and Engels," Vol. 4, p. 310.

F. At the same time that material incentives are provided, political and ideological education must be intensified.

Under socialist conditions, labor is still a means of making a livelihood, and accordingly correct material incentives are an important factor in stimulating the masses' production enthusiasm. But currently the mercenary attitude that "working is only a means of making money," which was criticized by Lenin, is appearing to a certain extent among a minority of staff and workers. We must persistently put politics in command, and at the same time that the workers are offered material incentives we must energetically advocate a communist spirit of bitter struggle and devotion to the four modernizations.

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CSO: 4006

## FINANCE AND BANKING

### BANK LOANS HELP TO IMPROVE BUSINESS

Beijing CONGREN RIBAO in Chinese 6 Jun 80 p 2

[Article by Liu Guifu (0491 2710 1788): "The Role of Banks in Improving Business"]

[Text] This year the People's Bank of China has distributed 800 million yuan in short-term loans to aid the development of the textile industry. This has received a warm welcome from the vast number of textile enterprises.

Our nation's textile industry expanded greatly during the First Five-Year Plan. However, later on, not only did it not build continuously, but even capital funds for going on with technological improvements were very few. Given the fact that they could spend little or no money, these enterprises could only make a few minor changes. During this fairly long period the needs of local and foreign markets for textile products changed greatly in quantity, quality and in variety of color and designs. The structure of raw materials and products also changed greatly. However, the textile industry, lacking capital, was unable to adopt appropriate measures. This caused many internal segments of the industry to become unbalanced, and the economic benefits of export trade were particularly hard hit. The managers of these vast number of enterprises were anxious to change this.

The 800 million yuan in loans distributed by the People's Bank of China for potential-exploration, renovation and transformation of enterprises was like a welcome rain after a long drought for the textile enterprise and the response was tremendous. The number of potential-exploration, renovation and transformation projects reported by textile enterprises from each area reached over 856, and the total amount of money applied for was over 1.63 billion yuan. Central and local departments involved adopted a system of priorities in distributing 800 million yuan to those 456 "excellent" projects which spent little money, saw quick results, had high profits or earned a lot of foreign currency.

In general, projects chosen through the "system of priorities" were able to be built and put into operation within one to two years. Within one to two years after this, they were basically able to pay off the entire principle and interest, so the economic results are obvious.

The bank loans stimulated the enterprises in the following ways: 1) The bank loans attracted funds from the large number of localities and enterprises to the expanded reproduction of potential-exploration, renovation and transformation. Along with the expansion of enterprise autonomy and reforms in the financial system, the amount of money in the hands of enterprises and localities increased. However, it still was not enough to make large-scale technological reforms. In addition, in the development of products, the overall balance of raw materials, construction materials, specialized equipment and other areas, there still existed problems which were difficult to solve by themselves. In these 456 projects using 800 million yuan, these problems were generally settled or resolved by the central and local departments responsible in accordance with the principle of the "six priorities." It was not necessary for enterprises to worry about these things themselves, so enterprises and localities were willing to put capital into these projects. Just as all rivers flow to the sea, the total investment of these 456 items amounted to 2.17 billion yuan. After being built and put into operation, the yearly output value was over 7 billion yuan, and the tax revenue and profits were over 1.68 billion yuan. This type of large scale potential-exploration, renovation and transformation by the textile industry was the first of its kind since the founding of our People's Republic.

2) In the past the movement for potential-exploration, renovation and transformation was carried out mainly within each enterprise without coordination with other enterprises. But now, we have put these methods into effect and the movement has been raised to a new stage in which we combine and coordinate (a) adjustment of the internal structure of the entire industry, (b) programs for development of local industries, and (c) technical reform of enterprises. Therefore, the channeling of the movement to planned development and the financial resources, material resources and manpower of the above three items can be used in coordination.

3) Bank interest bearing loans have better investment results than free government allotments. This is a way of using economic means to manage the economy. It has a clear-cut economic responsibility, economic authority and economic relationship based on practical consideration of interest. In the past, financial allotments were free, and when money was requested it was always the more the better; presently used are interest bearing bank loans and the capital must be repayed with interest. Consequently, units making use of loans are very careful about the economic results of each expenditure; if small amounts of money will do, then large amounts certainly will not be used, while whatever should be purchased



at a later time, certainly will not be purchased in advance. At the same time, we must still attach extreme importance to the speed of construction. Everything possible must be done to accomplish building, putting into operation and repayment of loans ahead of schedule. In Shandong, Hunan, Guizhou, Gansu, Nei Monggo, Jilin, Sichuan, Tianjing and other provinces, municipalities and autonomous regions, 80 percent of the items are predicted to be completed and in operation within the year. They are now already in the process of preparing next year's items.

Quite a few managers of enterprises feel that since bank loans have helped to stimulate the improvement of enterprises, they should go a step farther in perfecting the method of lending, broadening the scope of loans and gradually replacing allotments as a means of stimulating economic construction of the entire industry.

9686

CSO: 4006

## FINANCE AND BANKING

### 'NANFANG RIBAO' CALLS FOR SUPPORT OF STATE TAX LAWS

Guangzhou NANFANG RIBAO in Chinese 20 Jun 80 p 2

[Article by Ning Zhuansheng [1377 0278 5116]: "The Need for Strict Adherence to State Tax Laws"]

[Text] Editor's Note: The questions brought out in in our reporter's letter are worth paying attention to. Although opposition to taxes, tax evasion and other illegal behavior cannot be said to be a widespread phenomenon, individuals who see profit and forget integrity, and who for the benefit of their small units harm the country are by no means rare. Certain enterprises in Zhanjiang Prefecture should quickly correct their erroneous views and practices. In addition, they should conduct widespread education to enable the cadres and masses to raise their ideological awareness and safeguard the importance of the country's tax policy.

While gathering information in Zhanjiang Prefecture we learned of some of the serious conditions presently existing concerning the problem of tax revenue, which have led to the failure to collect large amounts of due taxes and which have caused losses for the country. These serious conditions are: 1) There are a number of leading cadres in various localities and enterprises who have mistaken views about tax revenues. They actually regard the country's levying of taxes on enterprises as "expropriation of worker's profit by the state." Some have, without reason, reviled and, even worse, physically attacked tax agents, surrounding and beating them. Influenced by such mistaken thinking and behavior, a substantial number of enterprises and individuals are now far in arrears in their tax payments. Some have engaged in tax evasion, while others go as far as refusing payment. For example, the Diancheng No 2 Multiple Light Industry Factory in Dianbai County resisted paying 56,000 yuan in industrial-commercial taxes and income tax for 3 years.

2) In some localities cadres are extremely indifferent in their viewpoints about the country's tax system, even to the extent that they

disregard national tax regulations, exceed the limits of their own authority and arbitrarily make decisions concerning tax reductions and tax exemptions. The Zhanjiang Municipal Salt Refinery sold 30 tons of refined salt at the market. According to national tax regulations, a tax of 144 yuan should be paid per ton of salt sold. However, a leading cadre in the municipal CCP committee, arbitrarily declared the salt tax free. The tax system has clearly stipulated that second light-industry enterprises which exceed planned profits should put into practice the policy of "paying taxes before retaining their percentage." However, some leaders in the Xi-mi County CCP Committee allowed "retaining of their percentage before paying taxes," making for a total of over 189,000 yuan in uncollected taxes which should have been paid by 14 second light-industry enterprises throughout the county. Yangchun County's Mines Administration Station, in accordance with current national tax regulations, should have paid an income tax of 179,000 yuan. However, some county leaders actually approved exempting this unit from tax payment.

3) Several local and unit leaders fail to see the big picture and often over-emphasize the needs of local prefectures, departments and units, getting in arrears in tax payments and diverting tax money. Some enterprises take taxes intended for the government and use them as "working capital." Some units use tax money as "emergency financial resources." And some enterprises use tax money replacement of equipment, investment in capital construction or to engage in projects not included in government programs. Some even go as far as to take these government taxes and distribute them as bonuses. The cigarette factory in Zhanjiang Municipality used production needs and a lack of working capital as reasons for being 1.36 million yuan in arrears in tax payments. The fireworks factory at the Zhongshan Commune in Wuchuan County misappropriated taxes and was in arrears up to 320,000 yuan. Last year, during a peak period, Zhanjiang Prefecture's unpaid taxes reached 14 million yuan; with 136 units owing over 10,000 yuan each.

Tax revenues are an important source of revenue for the country in accumulating funds for construction; they come from the people and in turn are used for them. Paying taxes in accordance with national tax laws is the bounden duty of each tax paying unit and citizen. The situation which has presently emerged is very irregular. As a result, the departments concerned in Zhanjiang Prefecture have proposed: 1) The party committee at all levels should give more effective leadership to tax work, carry out education of cadres and employees to respect law and discipline and strengthen the concept of the legal system. In particular, local government and enterprise leaders should set an example of respect for law and discipline, and pay tax quotas conscientiously without delay. 2) In the process of implementing tax laws, no locality, department or unit may simply do what they please, nor may they exceed their authority by irresponsibly calling for reduction of or exemption from taxes. According to regulations the initiation and discontinuation of tax

categories, the increasing or decreasing of taxable items and regulation of tax rates all come under the administrative jurisdiction of the state, uniformly stipulated by the State Council or authorized tax affairs organs. Enterprises and local units have no power at all to change the tax system. 3) Tax agents must adhere to principles and protect the importance of the nation's tax system. They should notify banks to make deductions and charge daily penalties for those who do not pay in accordance with the law, those who do not compute in accordance with rates, and those in arrears who have repeatedly been urged to pay but still have not. 4) Judicial organs must support the work of tax affairs organs in carrying out the collection of taxes in accordance with the law. According to regulation number 121 of the "Penal Code of the PRC," violation of tax revenue laws and regulations, tax evasion and opposition to taxation are serious acts. Aside from payment of overdue taxes and imposing of fines, persons directly responsible may be sentenced to jail terms of up to 3 years or forced labor service. Enforcement agencies must handle promptly cases dealing with opposition to taxation, tax evasion, and beatings of tax workers, promoting healthy tendencies and wiping out vile trends in order to insure the smooth implementation of the tax system.

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## MINERAL RESOURCES

### BRIEFS

**ZHEJIANG GOLD MINE**--The Suichang gold mine in Zhejiang Province has produced some 18,000 liang of gold since 1977 when the mine was put into operation. Each dun of ore from this mine contains 12-13 grams of gold. In addition to this mine, several spots with potential gold deposits have been discovered in the province. Now the geological department is conducting surveys at these spots. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 7 Aug 80 OW]

**PRECIOUS STONE DEPOSITS**--Kunming, 7 Aug--More than 30 varieties of jade and other precious or semiprecious stones were found at 165 locations in 10 provinces and autonomous regions during the first 7 months of this year. This was reported at the just-concluded national meeting on geological surveying of precious stones. The meeting in Kunming, capital of Yunnan Province, was attended by specialists from 10 provinces and autonomous regions including Fujian, Zhejiang, Sichuan, Liaoning and Nei Monggol. Sapphires, aquamarines, amethysts, ambers tourmalite, and precious topaz were found. Preliminary surveys showed some of the deposits are workable. Geologists in Xinjiang Uighur autonomous region found malachite, agate, and other precious stones in a dozen localities. Sapphire was located in a 300-square-kilometer area in Fujian Province. This first wide ever survey and discovery is in line with China's policy to tap more natural resources to facilitate the modernization drive. Last year the Ministry of Geology trained more than 100 people to search for deposits of precious stones. [Text] [Beijing XINHUA in English 1228 GMT 7 Aug 80 OW]

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## HEAVY INDUSTRY

### BRIEFS

**GANSU APPRAISAL MEETING**--The Ministry of Metallurgical Industry held a meeting in Lanzhou between 30 July and 1 August to appraise the work done by units concerned in the northeast areas of China in carrying out metallurgical, geological and mineral deposits searching work. The Gansu Provincial Metallurgical and Geological Prospecting Company was commended as an outstanding unit and the Gansu provincial No 106 metallurgical geological prospecting team received a Red Flag citation. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 9 Aug 80 SK]

**SHANGHAI INDUSTRIAL ENTERPRISES**--The work of giving the industrial enterprises in Shanghai greater power of self-management on a trial basis is being developed step by step. At present, a total of 1,284 factories has been given such power. They count about 65.5 percent of the unit so the 11 local main industry bureaus and over 80 percent of their total industrial output value. This was announced by Zhou Bi, chairman of the Shanghai Municipal Economic Commission, at a recent meeting to exchange experience in doing such work. [Shanghai City Service in Mandarin 1130 GMT 9 Aug 80 OW]

**ZHEJIANG ELECTRONICS INDUSTRY**--Zhejiang's electronics industry has grown rapidly since the beginning of 1980. Total industrial output value registered as of the end of last month topped the same period of 1979 by 210 percent. The province plans to produce 1.21 million television receivers, recorders, radio receivers, and record players within this year. From January to the end of July, the province produced more than 36,700 black and white television sets and 621,500 radio receivers. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 10 Aug 80 OW]

**XIZANG POSTS-TELECOMMUNICATIONS FRONT**--Cadres and workers on the posts and telecommunications front of Xizang, by further promoting management and comprehensively carrying out the movement to increase production and practice economy, have overfulfilled the revenue and expenditure plan for the first half of 1980. Fifty-six point six percent of the annual plan was fulfilled in the first half of the year. [Lhasa Xizang Regional Service in Mandarin 1100 GMT 13 Aug 80 OW]

SHANGHAI CHEMICAL INDUSTRY--Shanghai, August 11 (XINHUA)--More than 5,000 Shanghai workers who handle poisonous material now have one day off for every three work shifts. These workshops used to have three shifts on duty round the clock. Now there are four eight-hour shifts, with one shift off. Workers of 13 chemical factories under the municipal bureau of the chemical industry are involved. At the end of last year the bureau gave the system a trial-run as a measure to protect the workers' health. It plans to extend the system to 13 more plants before the end of the year. The Ministry of Coal Industry earlier this year adopted a six-hour work shift for those working underground in major collieries. [Text] (OW120102 Beijing XINHUA in English 1217 GMT 11 Aug 80 OW)

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## LIGHT INDUSTRY

### STATE SUPPORT URGED FOR QINGHAI'S NATIONALITY GOODS PLANTS

OW111500 Beijing Xinhua Domestic Service in Chinese 0730 GMT 11 Aug 80

[Excerpts] Xining, 11 Aug--In Qinghai, production of goods needed exclusively by minority nationalities is fast declining.

Comrades of departments concerned have made the following suggestions:

1. Policies should be made more flexible in order to sustain production of these goods. The state should subsidize or grant tax cuts or exemptions to enterprises producing these goods so that they may show some profits--these goods are now being sold below cost according to state policy.
2. A survey of the goods needed exclusively by nationalities should be made. Enterprises concerned should manufacture goods according to the nationality peoples' customs and habits as well as their new requirements so that these enterprises produce the right kind of goods and increase the variety.
3. In view of the fact that production of exclusive nationality goods is on a small scale and that the market is limited, enterprises located in different provinces and autonomous regions in northwestern China where Tibetans, Huis and Kazaks are concentrated should run their businesses jointly.
4. Industrially more developed provinces and municipalities should also produce some quality goods characteristic of minority nationalities such as satin, woolen blankets and ornaments. These are especially welcome in the pastoral areas in Qinghai.

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## LIGHT INDUSTRY

### BRIEFS

JILIN LIGHT INDUSTRY SYMPOSIUM--The Jilin Provincial Light Industrial Society held a symposium recently to solicit opinions from some 200 specialists, professors and engineers on the light industry front on ways to accelerate the modernization of the province's light industry. Wang Guanchao, deputy governor of the province, attended and addressed the symposium. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 6 Aug 80]

CSO: 4006

## FOREIGN TRADE

### PRECISION GRINDING MACHINES ENTER U.S. MARKET

Shanghai JIEFANG RIBAO in Chinese 5 Jun 80 p 1

[Article by Liu Xianhuang [0491 0341 3552]: "China's Precision Grinding Machines Enter the US Market for the First Time"]

[Text] For the first time, China's precision grinding machines have entered the U.S. market. Most recently, three U.S. companies selected four types of products of the Shanghai Machine Tool Plant and signed a group of supply contracts. Since early this year, the machine tool export volume of that plant has had a large scale increase, doubling the quantity of last year. More than 10 types are being exported to foreign countries. This is the result of the efforts of the workers of that plant to perfect their special skills to create superior quality products and to develop highly precise merchandise to raise the ability to compete.

For the purpose of improving the ability to compete on domestic and international markets, the Shanghai Machine Tool Plant has been devoted to improving the quality of its products for several years. They have tried all they can to improve the level of their products and at the same time eagerly proceeded to create new products to replace the outdated to surpass world standards. In the 1960's, the products of that plant were praised to be "good as gold" by the customers. After 3 years of reorganization, the "gold brand" shines once again. The quality of some products has already surpassed the best level in history. In the first 5 months of this year, nearly half of the quantity of eight types of products of its 12 major types of products reached the first grade rating; among these, two types won the award of "trustworthy products" of the First Ministry of Machine Building. The M1432A general purpose outside-round grinding machine is also being manufactured by seven other factories in the country; the competition is very sharp. After the Shanghai Machine Tool Plant won the title of "trustworthy product" for this item, it marched further toward the goal of superior grade product. Its customers compete with one another to order and buy; therefore production cannot meet the demands even if increased 70 percent over that of last year. A company of the United States ordered 24 such machines in one contract. The plant also pays attention to adding new products to increase the ability to compete. Seven new products are to be



tried in this year's plan; three of these are being designed according to the goal of surpassing the world standard.

The plant has a large number of types of products to meet different needs of customers here and abroad. This is the other "trump card" of the plant in improving its ability to compete. At present, Shanghai Machine Tool Plant has close to 100 types of grinding machines, instruments, and meters in assembled sets and there is a tendency of continuous increase of six to seven new products every year. Based upon the market requirements, the plant has made supplementations, adjustments, etc., to organize its production. This year, 51 types of products are being arranged, with all of these fast selling items. Of the 42 types of products produced last year, the sale of eight items was slow and the production of these was stopped this year, while 17 new items urgently needed by departments of energy supply, textiles, transportation and communication, and handicraft industries. There is this M7120A plane grinding machine, the profit of which is only 10 percent of its selling price and a sale of 46 such machines produces the same amount of profit as the sale of one precision tread grinding machine. For the purpose of satisfying the needs of the market, the quantity of the plane grinding machine is arranged to amount to one-fourth of the total production of the plant this year, more than doubling the quantity of last year. Furthermore, the plant also accepted orders for more than 100 such machines for next year's delivery.

The other reason the Shanghai Machine Tool Plant is able to sell its products easily is the attention it gives to the convenience of domestic and foreign customers. It strengthens technical services. It establishes departments of "express trains," "short-order cooks," and "outpatient clinics" to win a good deal of praise from customers. The new product, piston ring double-end surface grinding machine M775, was just successfully test produced in March of this year. It is an important tool for improving the precision of the piston ring in automobile and internal combustion engine plants. In order to satisfy the urgent needs of the Second Automobile Manufacturing Plant and other key industries, they broke the tradition of not mass producing new products in the same year they are test produced. They organize manpower to accelerate the technical preparation program to shorten the time required for improvement so that some customers can be supplied this year. Based upon the needs of the U.S. market, they automated the production cycle of the products exported to the United States and changed the original metric system size description to the English system. There is this MB8240A semi-automatic crankshaft grinding machine. Originally, the customer must change the left-right disk for tooling different crankshafts. The customer also must install the automatic jump roller and cutting knife before the machine is ready to be operated. Now, the three parts are preinstalled according to the specifications of a customer who does not have to assemble anything at all.

In order to do a good job of technical service, the Shanghai Machine Tool Plant organized 19 classes of customer maintenance and repair training in 14 cities of the county and trained more than 800 operators and repairmen for more than 400 customers. That plant is also thinking of establishing

technical service teams for large domestic customers and the largest products sold by the plant, to direct maintenance and repair, to supply parts, and to understand the customer's needs and the quality of the products so as to improve even further its ability to compete in the domestic and foreign markets.

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## FOREIGN TRADE

### MAJOR EXPORT PORTS ELIMINATE MONTH-LONG LOADING DELAYS

Beijing RENMIN RIBAO in Chinese 27 May 80 p 3

[Dispatch by XINHUA: "Eight Major Export Ports Eliminated Month-Long Delays"]

[Text] Since August of last year, the eight export ports of Dalian, Qinhuangdao, Tianjin, Qingdao, Lianyungang, Shanghai, Huangpu, and Zhanjiang have eliminated the phenomenon of "over a month ships." This is the result of coordination and cooperation of departments of transportation, railway, foreign trade, and related provinces and cities in accelerating the traffic of the harbors.

All ships in foreign trade freight are called "over-a-month ships" if from entering the harbor to leaving the harbor, or from entering the harbor to the completion of unloading, or from the beginning of loading to leaving the harbor, more than one month has gone by. From the beginning of January to 20 August last year, 105 such over-a-month ships were recorded. This fact damaged China's reputation as well as caused a large financial loss. The loss in freight time to the state amounted to the investment capital needed to construct four 10,000-ton wharves in last year alone.

For the purpose of changing this situation, the coastal harbors strengthened the traffic control of ships. To increase the internal potential, the number of openings of holds were increased to improve the loading and unloading efficiency. In the second half of last year, each freight averaged 2.95 openings, an increase of 7 percent over the first half of the year, the equivalent of four additional ships in the harbors every day without an increase of mooring spaces. At present, China has few deep water harbors to cause the loading and unloading of loose-packed large tonnage freights to be rather difficult. In order to resolve this problem, one 10,000-ton loose packing freight was reconstructed last year into a platform on the sea so that a portion of the cargo of a loose packing freight of large tonnage may be unloaded onto that platform first or to be unloaded onto other ships to enable the large ship to be sufficiently lightened to enter the harbor. During the first session this year, there had been 30 cargo ships unloading a total of 350,000 tons of cargo onto this platform in order to lighten the load before entering the harbor. The capacity of the harbor was thus enlarged.

Departments of harbor, foreign trade, railway, highway, and inland navigation are also closely coordinating with one another to achieve fast loading and unloading. Every possible means are used to shorten the mooring time of foreign trade ships.

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## FOREIGN TRADE

### INDUSTRY, TRADE COOPERATE TO INCREASE FOREIGN TRADE

Tianjin TIANJIN RIBAO in Chinese 7 Jun 80 p 1

[Article by Han Derong [7281 1795 2837]: "The 'Four Uniteds and Two Opens' Helps Exports To Increase"]

[Text] Editor's Note: The practice of "four uniteds and two opens" among departments of foreign trade and industry is a good way to cement relations between industry and trade, to promote the combination of production and marketing, and to fix production according to sales. Since our municipality adopted this measure as a general practice, we have made an encouraging step in the coordination of industry and trade. However, this is only the beginning, and it is still necessary to bring our initiative into play, proceed from reality, carry it out boldly, further make a success of the "four uniteds and two opens" practice, and open a new path for the development of production and the expansion of foreign trade.

Our municipality's trade departments and industrial departments have generally practiced "four uniteds and two opens," combined production closely with marketing, and helped both production and exports to make fairly great progress.

Up to the present, all foreign trade import and export branch companies have, separately and on many occasions, held united office work meetings with more than 70 industrial companies, or have set up a system of holding periodic united office work conferences among industrial and trade departments. All foreign trade companies also have taken the initiative to send more than 1,000 copies of contracts signed with foreign merchants to industrial production departments, so that the industrial departments could understand promptly the market conditions in foreign countries and make rational arrangements for production. The departments of industry and trade also actively arranged joint inspection trips abroad. The foreign trade companies, the light industrial companies, and the watchmaking companies jointly organized a wristwatch trade inspection group, which returned



to Tianjin after having successfully completed its tasks. The recreation and sporting goods import and export branch company and the rubber industrial company jointly organized a rubber shoe inspection group, which has gone abroad. The industrial and trade departments have held joint discussions on more than 300 occasions with foreign merchants who came to Tianjin on invitation for business negotiations, and have completed a large number of export transactions. Up to the end of May, our municipality's procurement of export commodities had increased by 44 percent, compared with the same period last year, and exports had increased by 34 percent compared with the same period last year.

Since the beginning of this year, the municipal plastics industry has permanently stationed its personnel at the foreign trade companies, has worked in close coordination, and has developed new products for export. Because of the fact that plastic woven bags are in great demand in foreign markets, they have introduced a new variety of bags with inner lining, and more than 14 million of them have been sold to foreign merchants in the past 2 months. Recently the industrial departments experimentally made plastic trashbags, which are widely used abroad, and sold over 1 million of them at a single trial sale. As these two new varieties are in demand in large quantities in foreign markets, at present the industrial and trade departments are jointly studying measures for further expansion of production.

Tableware, one of our municipality's principal exports, is handled by the foreign trade light industrial products import and export branch company. In the past there was only one single variety, the specifications did not form a complete set, and as a result there was not much demand in foreign markets. At the present time, when both industry and trade are jointly taking part in negotiations with foreign merchants, the industrial sector has directly heard the demands of foreign merchants and, on its own, has suggested supplying matching knives for tableware not in complete sets which they had handed over to the foreign trade departments. To meet the demands of foreign merchants, they would accept samples from abroad, receive orders, boost the export of tableware, and break into the European and American markets. Last year the export of tableware totaled 4.6 million dozen. In the first quarter of this year, more than 5.5 million dozen were sold to foreign buyers.

The Tianjin Cultural and Educational and Sporting Goods Import and Export Branch Company undertakes the export of paper, which has many varieties of complex specifications. As foreign markets undergo frequent changes, the foreign trade departments did not understand production equipment and technology, and the industrial departments had no knowledge of the demands of foreign markets and the uses of paper. Both sides thus undertook the production and export of paper with a certain degree of blindness. After the foreign trade departments invited the papermaking industrial company and the production units to attend the export commodities fair and joint negotiations with foreign merchants, they not only helped to improve the quality of products gradually and steadily, but also increased many

patterns and varieties, so that the products met the market demands and satisfied needs, and a situation of demand exceeding supply arose. This year the export of various kinds of paper, arranged jointly by industrial and trade departments, increased by 45 percent over last year's figure.

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## FOREIGN TRADE

### SHENZHEN CITY DEVELOPS HOME PROCESSING INDUSTRY

Guangzhou NANFANG RIBAO in Chinese 15 Jun 80 p 2

[Article by Ceng Jintang (2582 6930 2768): "Shenzhen Municipality Promotes Family Work of Processing Foreign Materials"]

[Text] The municipality of Shenzhen has fully utilized favorable local conditions and, in addition to running factories and workshops with foreign funds by units of the state, of collectives, and of communes and production brigades, has introduced the business of having local families and households process materials supplied by foreign merchants, with the result that the state has increased its foreign exchange and the people have increased their income.

After Shenzhen last year became a municipality under the control of the provincial government, the municipal authorities imported materials for processing, including plastic flowers, silk flowers, metals and toys and, in an organized manner and with leadership, distributed them among the residents and commune members and asked these families to do the processing work in their spare time and return the finished products according to a fixed schedule, quality, and quantity. Up to April of this year, more than 2,000 households of residents and commune members have undertaken the work of processing foreign materials. In 1979 they earned over 2.5 million Hong Kong dollars of foreign exchange for the state, and those who were engaged in this business received on average more than 330 yuan in Renminbi per household as income. In Yantian commune, a household of eight members used their spare time to process metal fittings and earned a total income of more than Renminbi 3,600 yuan. Promoting family work in processing foreign materials has also solved the problem of the livelihood of unemployed young people in some cities and towns. At present, nearly 1,000 unemployed young people in this municipality are engaged in this family sideline occupation. Thus, it sets people's minds at rest.

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## FOREIGN TRADE

### SHANGHAI PORT LOADING EXPORT GOODS IN RECORD AMOUNTS

Shanghai JIEFANG RIBAO in Chinese 12 Jun 80 p 1

[Article by Fu Zhaoxiong (0265 0340 7160): "Shanghai Port Fifth Section Busily Loads Cargo for Export"]

[Text] The staff members and workers of the fifth section of Shanghai port have been energetically loading export goods. In May they loaded 29 ships with cargo for export to foreign countries; [the cargo] totaled more than 144,000 tons--50 percent higher than the figure for an ordinary month, and 15 percent higher than the past record.

Recently the volume of exports has increased to a great extent. To insure the transportation of foreign trade, the fifth section staff members and workers have actively created conditions for the expansion of warehouse intake. Through 15 days in May the amount of warehouse intake reached more than 3,600 tons each day. The monthly intake reached 100,000 tons, which was the highest ever. They have also expanded group transportation to raise labor productivity. When the planning and dispatching department learned that the ship "Xiangshan" would export over 500 tons of compressed ethylene from Shanghai Petrochemical General Works, they went to Jinshan [County] to make contact, and helped to organize the groups transportation of this consignment of cargo. This month the harbor office sent 200 cadres to the fifth section to do work in support of loading and unloading foreign trade cargo.

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## FOREIGN TRADE

### TIANJIN SEMIANNUAL EXPORT STATISTICS SHOW RECORD GAINS

Tianjin TIANJIN RIBAO in Chinese 11 Jun 80 p 1

[Article by Guan Xueshi [6306 1331 1102]: "The First Half-Year Plan for Export Shipping Is Fulfilled Ahead of Schedule"]

[Text] The Tianjin Foreign Trade Shipping Company has overfulfilled the first half-year export shipping plan 1 month ahead of schedule. Up to the end of May, the annual export ocean shipping plan was fulfilled by 60.9 percent. In May, export cargo loading reached more than 243,000 tons, breaking the past record. Since the beginning of this year, with the close coordination of such departments as the harbor service, the railways, and all export companies, this shipping company has overfulfilled its export ocean shipping plan each month. In the middle and last 10-day periods of May, export vessels arrived in the harbor and caused a great deal of difficulty to port arrangements, the preparation of export cargo, and the delivery of goods by truck. They discussed the matter with the port departments concerned in good time, put forth increased demands to the shipping company's truck team, agreed upon concrete measures, and made immediate contact with the export companies to prepare certified cargo beforehand. Thus they concentrated the forces both within and outside the shipping company, fought a common battle, and finished the job quickly. Within only 4 days, from 22 to 27 May [as published], they shipped more than 17,000 tons of cargo from the port. To counter the difficulty caused by delays in the shipping schedule due to rain, they sometimes directed the vessels to enter the harbor ahead of the schedule, sometimes reversed the loading schedule for overdue vessels, avoided breaches of contract, saved expenditures, and helped to expedite exports and earn more foreign exchange.

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## FOREIGN TRADE

### FIRST EXPORT SHIPMENT OF PETROLEUM LEAVES TIANJIN

Tianjin TIANJIN RIBAO in Chinese 3 Jun 80 p 1

[Article by Han Derong [7281 1795 2837]: "Our Municipality's First Shipment of Diesel Oil Left Port Yesterday"]

[Text] Editor's Note: Our municipality has succeeded in exporting the first lot of petroleum products. This is exciting news. The present success in exporting petroleum tells us that cooperation can produce new and great strength. In exporting petroleum on this occasion, many departments took the initiative to work in coordination, vied with each other for the difficult jobs, made things easy for each other, thought and worked with one heart and one mind, showed their spirit of unity and mutual assistance, and assured the successful export of the first shipment of petroleum.

In spite of the fact that all lines of trade were working at different posts on jobs varied in content and nature, they had the same goal in mind--to realize the socialist modernization of their motherland. We hope that, so as to step up the progress of the four modernizations, all lines of trade will undertake cooperation on a large scale and compose a grand piece of music.

At 4 o'clock yesterday afternoon, the oil tanker "Yanhu" of the China Ocean Shipping Company sailed from Xingang carrying more than 7,300 tons of diesel oil. This is the first export shipment of petroleum products which this municipality's petrochemical general works has produced.

This lot of petroleum products was examined by the Tianjin Commodity Testing Bureau and departments concerned, and it was found that the quality of the product met all 16 targets laid down by the state, with some of the major targets matching advanced international levels.

Within the boundaries of our municipality, there are the Dagang oilfield with its rich oil deposits, an open port, and a daily increasing oil-

refining capacity, with broad prospects for the development of the export of finished products and other petroleum products. Our municipality's success in exporting the first shipment of finished oil is of very important significance for the development of foreign trade and for making a greater contribution to the four modernizations by building our municipality into an export base as soon as possible.

To insure the smooth export of our municipality's first shipment of finished oil, all municipal units concerned worked in unity and coordination, gave support to each other, and did a great deal of preparatory work. The China Fuel Oil Company's Tianjin branch not only washed clean the oil tanks rented especially for the purpose of export, but also carefully repaired and changed all the oil pipelines. To give unimpeded passage to the 10,000-ton export tanker, the Tianjin Harbor Office organized forces to complete the work of dredging the channel along the wharf where the tanker anchored to load the oil. The Tianjin Railway Branch Office, the West Railway Station, and the Tanggu Railway Station also gave the green light to our municipality's oil export, overcame many difficulties to open a special railway line in the tank storage area of Xingang ahead of schedule, and dispatched special trains of tank cars in good time. The stationmaster of the Tanggu Railway Station also personally worked on board the train so that all tank car trains would arrive at the harbor safely and on schedule. Before the oil was pumped, the municipal office of weights and measures sent out special personnel, led by the head of the office, who worked day and night and completed the work of surveying and measurement ahead of time.

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## FOREIGN TRADE

### BRIEFS

**PUNCH, MOLDS EXPORTED**--Hongzhou Machine Plant seriously implemented export contracts and completed four blade punches and six sets of molds for the Linde [transliteration] Company of West Germany. These export products have been finished on time and shipped in late March. This plant created a blade punch set to cause the blades to have good geometric shape. The work efficiency is high, reaching the advanced level of the world. In July last year, the China Machine Equipment Export Company signed a contract with the world famous oxygen-manufacturing machinery producing factory, the Linde Comapny of West Germany to supply the punch for making the blades of the blade type heat exchangers, with a complete set of technical data of the punch, four punches, and six sets of punch molds. That company also is to send persons to the Hongzhou plant for training. In the latter part of February, two engineers of the Linde Company came to inspect and receive the products; They said happily: "We are very delighted to be able to buy punches of such good quality." [Text] [Hangzhou ZHEJIANG RIRAO in Chinese 1 Apr 80 p 1] 6168

**NEW CUSTOMS REGULATIONS**--Tianjin Customs Office announces most recently that all auxiliary materials, parts, equipment, and processed products (including contract merchandise and repossessed merchandise) traded with or supplied by foreign businesses, overseas Chinese businesses, or Hong Kong and Macao merchants must be transported into or out of [the country] as regular merchandise and the workers of these businesses must not personally carry them in and out. As many forms of trade develop, workers of some foreign businesses, overseas Chinese businesses, and Hong Kong and Macao businesses carry with them auxiliary materials, parts, and small tools when they come to Tianjing. Some bring materials to be processed and bring back the finished products. This fact has affected the orderly inspection of tourists by the customs. When the merchant brings the merchandise with him and the domestic receiving organization is not present at the port to accept the merchandise there is the situation that no one is there to declare the merchandise for import customs procedure, and related materials, parts, and equipment cannot be timely inspected either. For this reason, the Tianjin Customs Office will implement the aforementioned public announcement and all import and export merchandise carried personally by merchants themselves will be temporarily retained by the

customs and the related domestic organization is given a limit of 3 months to clear customs. Beyond that period, the customs office will ship the merchandise to the warehouse and designate a price. During the period the merchandise is retained, a daily storage fee will be charged. If the merchandise should be urgently needed for production, the carrier is permitted to pay an amount corresponding with the import or export tax to free the merchandise. When the related domestic organization clears the import procedure, the security deposit will be refunded. All undeclared and hidden articles are to be treated as smuggled goods. [Text] [Tianjin TIANJIN RIBAO in Chinese 31 May 80 p 1] 6168

SAMPLE BOOK READING ROOM--Tianjin Machinery Import-Export Company established a foreign merchandise sample book reading room. Many research organizations, factories, colleges and universities praised the action and called it a "small library of science and technology" for studying and learning foreign advanced technologies by scientists and technicians. In April this year, the Municipal Committee and the Municipal Revolutionary Committee awarded this team the title of municipal model collective. This "small library of science and technology" has an accumulation of several hundred thousand volumes of sample books of famous factories of machine products of more than 20 countries, including Japan, West Germany, England, France, the United States, Sweden, and Switzerland and involving several tens of fields as aviation, satellites, lasers, electronic brain, electronic computer, television, nuclear power generation, chemical engineering, transportation, textiles, light industry, mining, metallurgy, agriculture, water conservancy, etc. There are product samples, model changes, diagrams, and some articles introducing the theory of the products. The contents are very rich and very valuable as reference materials. Tianjin Machinery Import-Export Company regularly supplies the sample information to related factories, research organizations, and educational organizations and also welcomes readers from other places. A mail inquiry service is also developed for organizations of remote border regions. In the previous year, more than 14,000 items of information were mailed to related organizations. Off and on, the company also organizes exhibits in colleges and universities and scientific research organizations to directly serve scientific research, production, and education. It also helps factories to revise and improve their products, to raise labor productivity, and to promote basic education in science and technology. It provides bases for many organizations for importing advanced equipment from foreign countries. For example, from one issue of the journals it preserves, the Tianjin Automobile and Electrical Plant's Technical Information Office found an article on A.C. generators which led the plant to try to manufacture the same type of products. The article helped to resolve some difficult theoretical problems to cause the experiment to proceed faster than usual so that that type of product began to be mass produced last year. At present, that plant has become the first in the country to manufacture that type of A.C. generators. [Text] [Tianjin TIANJIN RIBAO in Chinese 5 Jun 80 p 1] 6168

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